

As a sixth generation farmer in the Yakima Valley, I fully support the proposed Hop Marketing Order. Because of the German Crop failure, much of the inventory that had been held by growers has been sold into the market place. Had there not been a crop failure, our inventory would have been increased once again and driven the bad prices of 2002 even lower from 50 cents a pound to possibly 25-30 cents a pound. This however does not mean that the supply and demand balance we have been searching for has been achieved. This is only one point in time, and if everything stays the same as this year, we will once again have too much alpha on the world market next year.

We have taken out acreage over the last few years in response to the dealers and brewers saying that there are too many hops being grown. However, part of the reason we did so was because we knew that a marketing order was being proposed. We wanted to work with the hop industry, but it has been frustrating to know that while you are taking acreage out, others are exploiting that and adding additional acreage. Even though we have reduced our acreage, we might still need to purchase base depending on where a salable is set. This is a cost that we are willing to incur because the marketing order would add value to the industry that offsets the cost of purchasing base.

Barrier to new entry is also a concern that has been expressed. There frankly aren't a lot of people clamoring to get into the hop industry. The only bona fide new grower bought an existing ranch that already had production on the farm. Having to buy base is the least of the worries for a new farmer if he wanted to start a hop ranch. Establishing trellis, planting hops, purchasing specialized field equipment, not to mention the millions of dollars you would need to purchase the harvesting facilities provide a much greater barrier to new entry.

The market for aroma varieties keeps coming up in testimony that it is balanced currently. Some people have inferred that if the marketing order comes into affect that it would prompt people to switch to those lower alpha producing varieties because they could grow more acres. If this were true, people would just plant aromas now because they are at higher prices. But in truth, most growers don't just go out and plant aroma varieties without them being contracted because of the high degree of risk associated with those types of hops and the lack of alternative markets for them. They have such a limited demand, that even a few bales over-production drastically reduces the prices. The order was also designed to protect the balance that currently exists in the aroma market. By inflating the base on those varieties, it was intended to protect the aroma grower from having to cut that acreage. This is also why it was felt important to include the years back to 1997 in base allocation. Many Oregon growers who primarily produce aroma varieties took cuts back then and should not have to take another cut. Most growers agreed that it has been the alpha side of the industry that has been out of balance and felt that's where the cuts needed to be taken.

World market share is also been brought up at several points. The feeling of a couple of the economists seems to be that we should keep our prices low to preserve that market share. But do we keep market share if the price is below our cost of production? It would seem logical that we should maybe give up some market share and make a return on our investments.

There seems to be an idea being presented that there are several places to market your hop production. I would like to know where all the dealer/handlers are. Of the handlers that have been named by the opposition, two will only market hops from their members primarily (Yakima Chief, Hop Union). Two large brewers (Coors and AB) buy direct from the growers and two dealers (Haas and Steiner) buy most of the rest of the crop. Of all the rest of the dealers that have been mentioned, few are familiar to me and only one of them has ever bought hops from our ranch.

I feel that a marketing order will be an important factor in keeping the U.S. Hop industry alive and viable due to the stabilization that it can impart into our industry.

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EX 54